

HSBC Turkey Manufacturing PMI™

Output grows further, albeit at slower pace

Summary

October data signalled a further increase in production at Turkish manufacturing firms. New orders also rose, although at a slightly slower pace than seen in September. Meanwhile, workforce numbers increased at the sharpest rate in eight months.

The seasonally adjusted HSBC Turkey Manufacturing PMI™ – a composite indicator designed to provide a single-figure snapshot of the performance of the manufacturing industry – registered 53.3 in October, down slightly from September's eight-month high of 54.0. Operating conditions in the sector improved for the third month in succession.

Turkish manufacturers reported a further increase in production in October. However, the pace of expansion eased since September. New order growth also weakened during the latest survey period. Anecdotal evidence suggested that expansion into new markets and new product launches both contributed to the latest increase in new business. Export orders rose for a third month in a row, however, only marginally. Panel members commented on the securing of new clients, improving market conditions and capacity expansions.

The latest survey results signalled a lack of pressure on operating capacity at Turkish goods producers. Work-in-hand fell for a ninth consecutive month, although in October at the slowest pace in that sequence. Companies linked the decline in backlogged work to higher staffing levels. Workforce numbers rose at the fastest pace in eight months during October as companies reported higher production requirements.

Cost pressures persisted into October, but the rate of inflation eased markedly from the previous survey period. Panel members reported that increased raw material prices and unfavourable exchange rates accounted for most of the latest cost increase. In response to higher input prices, Turkish manufacturing firms raised their selling prices.

Driven by the delivery of products to clients, stocks of finished goods fell in October. The rate of stock depletion, eased however, and was marginal overall. Meanwhile, suppliers' delivery times lengthened further, as increased demand caused some transportation problems. The rate at which average lead times worsened was the sharpest in two years.

In line with the trends for output and new orders, companies reported a further rise in purchasing activity during October. Concurrently, stocks of purchases accumulated for a second successive month.

Comment

Commenting on the Turkey Manufacturing PMI® survey, Melis Metiner, Economist at HSBC, said:

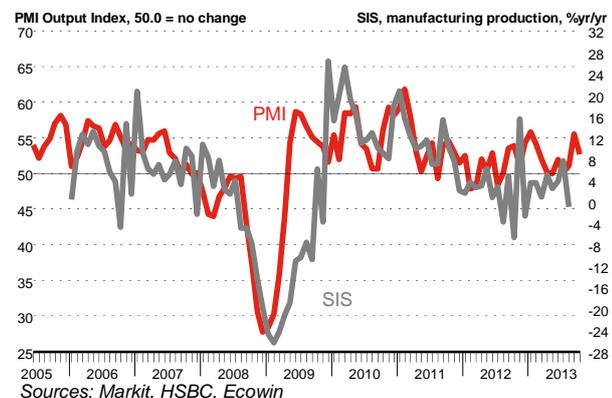
"Manufacturing conditions in Turkey improved for a third consecutive month in October, despite slower growth in total orders and new export orders. Firms increased the quantity of their purchases during the month, but at a slightly slower pace than in September. The employment outlook was quite positive. Firms increased their hiring at the fastest pace in eight months, on the back of higher production requirements. Both the input and the output price indexes were in inflationary territory during the month, but both moderated from September levels."

"The October PMI reading suggests that manufacturing output growth continued to rise at a decent pace in the fourth quarter. The moderation in input prices reflects the recent strengthening in the Turkish lira. Between late-May and mid-September, Turkish markets experienced significant volatility, which has subsided to a certain extent since then. The rising pace of hiring most likely comes on the back of this and the resulting improvement in business sentiment."

Key points

- Production increases for fifth month running
- New business rises further, but pace of expansion weakens
- Employment levels rise at fastest pace in eight months

Historical Overview



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Notes to Editors:

The HSBC Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Turkish GDP. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The *Purchasing Managers' Index™ (PMI™)* is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@markit.com.

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